Press release

SMART TECHNOLOGY FOR SMARTER CARS

Valeo stays focused on its strategic goals and confirms its 2019 objectives

4 percentage point outperformance versus automotive production, accelerating over the first half

Operating margin(1) of 514 million euros, or 5.3% of sales, up 0.5 percentage points compared with second-half 2018

Net income(2) of 162 million euros, or 1.7% of sales, after non-recurring expenses of 30 million euros

Free cash flow(2) generation of 237 million euros, up 90% compared with second-half 2018, corresponding to a cash conversion rate(2) of 19%

Order intake(2) of 11.1 billion euros, representing 1.3 times original equipment sales

---

Jacques Aschenbroich, Valeo's Chairman and Chief Executive Officer, commented:

"In an automotive market that declined 7% in the first half, we demonstrated our ability to accelerate our outperformance, which came out at 4 percentage points, and improve our profitability following the low point recorded in second-half 2018.

Despite the overall market decline of around 4% in 2019, all of the actions we rolled out to achieve a structural reduction in costs and capital expenditure enable us to confirm our operating margin (excluding share in net earnings of equity-accounted companies) objective, based on an operating margin of at least 6.3% in the second half and continued free cash flow generation. Valeo therefore confirms the strengthening of its strategic positioning in high-growth segments and the capacity to finance its dividend policy."

Paris, July 24, 2019, Valeo's consolidated sales came to 9,776 million euros in the first half, down 1% compared with the prior-year period.

Original equipment sales totaled 8,220 million euros, down 3% on a like-for-like basis[2] and representing a 4 percentage point outperformance versus global automotive production. The Group's outperformance accelerated over the first half (from 3 percentage points in the first quarter to 4 percentage points in the second quarter). Sales were affected in particular by the strong decline in automotive production in China, which fell 16% (IHS/CPCA[3] estimates) in the first half.

All Business Groups outperformed the market during the period, driven by the start of production on numerous high-tech innovations (cameras and other ADAS-related products, electrical systems and LED lighting systems), mainly in Europe and North America, where the Group's outperformance accelerated compared with

---

[1] Operating margin excluding share in net earnings of equity-accounted companies.
[2] See Financial Glossary, page 12.
[3] CPCA: China Passenger Car Association.

second-half 2018 (in Europe, outperformance rose from 1 percentage point in second-half 2018 to 3 percentage points in first-half 2019, and in North America, it rose from 3 percentage points to 9 percentage points). Valeo continued to benefit from the balanced alignment of its businesses across the main automotive production regions and the main automaker customers.

Aftermarket sales were down 4% on a like-for-like[(1)] basis, held back by the slowdown in business in China, Europe and Turkey, as well as the closure of its businesses in Iran.

"Miscellaneous" sales, including tooling revenues, rose by a sharp 23%, confirming the hypothesis of a gradual improvement in outperformance during the year.

In a particularly unstable economic and geopolitical environment, Valeo pressed ahead with the plan to reduce its costs and capital expenditure, which resulted in a 0.1 percentage point decline in administrative and selling expenses to 4.7% of sales and a 0.5 percentage point reduction in Research and Development expenditure as a percentage of sales compared with second-half 2018. Spending in this area aims to respond to the challenges of powertrain electrification and autonomous and connected vehicles.

Despite weak automotive production, which contracted by 7% over the period, Valeo therefore recorded operating margin[(1)] (excluding share in net earnings of equity-accounted companies) of 514 million euros, or 5.3% of sales, up 0.5 percentage points compared with second-half 2018.

The share in net earnings of equity-accounted companies represented a loss of 107 million euros in the first half, reflecting lower profitability at Chinese subsidiaries and the share of the loss recorded by Valeo Siemens eAutomotive, which is currently bearing the costs required to develop its order book.

After taking account of other income and expenses in an amount of 30 million euros, cost of net debt of 37 million euros and an effective tax rate of 29.3% (38 million euros, 34 million euros and 40.4% in second-half 2018, respectively), net attributable income[(1)] came to 162 million euros, or 1.7% of sales, up 0.7 percentage points compared with the second half of 2018.

EBITDA[(1)] totaled 1,218 million euros, or 12.5% of sales, up 1 percentage point compared with second-half 2018, after taking into account the positive 0.4 percentage point impact of IFRS 16.

Valeo generated free cash flow[(1)] of 237 million euros, corresponding to a cash conversion rate[(1)] of 19%. This item primarily reflects the change in working capital, which had a positive 262 million euro impact on free cash flow generation, and controlled investments in property, plant and equipment of 598 million euros, down 10% compared with the second half of 2018.

Net debt[(1)] stood at 2,877 million euros at June 30, 2019 (leverage ratio of 1.26 and gearing ratio of 64%), up 629 million euros compared with end-December 2018, after taking account of the dividend payment (330 million euros) and the impact of IFRS 16 (442 million euros).

Order intake[(1)] for first-half 2019 came out at 11.1 billion euros, of which 42% was for innovative products, or 1.3 times original equipment sales.

[1] See Financial Glossary, page 12.

Outlook

Thanks to the roll-out of a program to reduce costs and capital expenditure, the favorable trend in raw material prices and the start of production on new contracts, Valeo confirms its guidance despite a stronger than anticipated decline in the automotive market, which is expected to contract by around 4% in 2019 (versus a previously forecast decrease of between 1% and 0%):

- a stronger market outperformance than in second-half 2018, increasing gradually during the year, driven by production start-up for projects in the camera, electrical and transmission systems, and lighting segments;
- continued roll-out of the program, announced in February, to reduce costs by more than 100 million euros and capital expenditure by more than 100 million euros, the main impact of which is expected to be felt in the second half;
- EBITDA growth(1) (in value terms);
- operating margin excluding share in net earnings of equity-accounted companies (as a % of sales) of between 5.8% and 6.5%, depending on the trends in automotive production and in the price of raw materials and electronic components.

In addition, Valeo has set itself the objective of continued free cash flow(1) generation in the second half.

Lastly, the "share in net earnings of equity-accounted companies" line is expected to have a similar impact (in millions of euros) on Valeo's statement of income in the second half as it did in the first half, due to the Valeo Siemens eAutomotive joint venture and to the weak performance of Chinese subsidiaries.

[1] See Financial Glossary, page 12.

The below results for first-half 2019 have been prepared in accordance with IFRS:

		H1 2019	H2 2018	*Change*	H1 2018
Valeo order intake[1] (excluding Valeo Siemens eAutomotive)	*(in €bn)*	11.1	10.2	N/A	14.0
Sales	*(in €m)*	9,776	9,261	+6%	9,863
Original equipment sales	*(in €m)*	8,220	7,771	+6%	8,375
Gross margin	*(in €m)*	1,754	1,676	+5%	1,998
	(as a % of sales)	*17.9%*	*18.1%*	*-0.2 pts*	*20.3%*
R&D expenditure	*(in €m)*	(785)	(786)	-0.1%	(774)
	(as a % of sales)	*8%*	*8.5%*	*-0.5 pts*	*7.8%*
Selling and administrative expenses	*(in €m)*	(455)	(442)	+3%	(469)
	(as a % of sales)	*4.7%*	*4.8%*	*-0.1 pts*	*4.8%*
Operating margin excluding share in net earnings of equity-accounted companies	*(in €m)*	514	448	*+15%*	755
	(as a % of sales)	*5.3%*	*4.8%*	*+0.5 pts*	*7.7%*
Share in net earnings of equity-accounted companies	*(in €m)*	(107)	(83)	*-29%*	(28)
	(as a % of sales)	*1.1%*	*0.9%*	*-0.2 pts*	*0.3%*
Operating margin[1] including share in net earnings of equity-accounted companies	*(in €m)*	407	365	*+12%*	727
	(as a % of sales)	*4.2%*	*3.9%*	*+0.3 pts*	*7.4%*
Net attributable income[1]	*(in €m)*	162	93	*+74%*	453
	(as a % of sales)	*1.7%*	*1.0%*	*+0.7 pts*	*4.6%*
Basic earnings per share	*(in €)*	0.68	0.39	+74%	1.91
Net income excluding non-recurring items	*(in €m)*	192	136	+41%	463
	(as a % of sales)	*1.9%*	*1.5%*	*+0.4 pts*	*4.7%*
Basic earnings per share excluding non-recurring items	*(in €)*	0.80	0.55	+45%	1.95
ROCE[1]		12%	19%	N/A	26%
ROA[1]		8%	12%	N/A	17%
EBITDA[1]	*(in €m)*	1,218	1,069	+14%	1,341
	(as a % of sales)	*12.5%*	*11.5%*	*+1 pt*	*13.6%*
Change in operating working capital*	*(in €m)*	262	228	N/A	(141)
Investments in property, plant and equipment and intangible assets	*(in €m)*	(998)	(1,030)	-3%	(995)
Free cash flow[1]**	*(in €m)*	237	125	+90%	36
Cash conversion rate[1]		*19%*	*12%*	*N/A*	*3%*
Net debt including the impact of IFRS 16[1]	*(in €m)*	2,877	2,248	+€629m	2,291

** Change in working capital excluding the change in non-recurring sales of accounts and notes receivable in a negative amount of 6 million euros in first-half 2019 and a positive amount of 10 million euros in first-half 2018.*
*** Following the application of IFRS 16, the Group's definition of free cash flow has been adjusted to take into account payments relating to the principal portion of lease liabiltiies. The resulting impact on free cash flow is marginal, at around 5 million euros.*

[1] See Financial Glossary, page 12.

Change in global automotive production

In first-half 2019, automotive production fell 7% compared with first-half 2018, according to IHS/CPCA[1] estimates.

Automotive production was weighed down by the fall in activity in China, down 16%, and the decrease in production in Europe and North America of 5% and 3% respectively.

Automotive production (year-on-year change)	Q2	H1
	IHS + CPCA*	IHS + CPCA*
Europe & Africa	-6%	-5%
Asia, Middle East & Oceania	-11%	-10%
of which China	*-19%*	*-16%*
of which Japan	*+6%*	*+3%*
of which South Korea	*+3%*	*+1%*
of which India	*-12%*	*-7%*
North America	-2%	-3%
South America	-2%	-3%
TOTAL	**-8%**	**-7%**

** Based on IHS automotive production estimates released on July 16, 2019/CPCA estimates for data relating to China.*

Change in sales

In the first half of 2019, **sales** retreated by 2% like for like[(2)].

Changes in exchange rates had a positive 1.7% impact during the period, primarily reflecting the appreciation of the US dollar and Japanese yen against the euro.

Changes in Group structure had a negative 0.3% impact, following the sale of the Passive Hydraulic Actuator business finalized on March 31, 2018.

Sales (in millions of euros)	As a % of total H1 2019 sales	Second-quarter				First-half			
		2019	2018	LFL* change	Change	2019	2018	LFL* change	Change
Original equipment	84%	4,099	4,221	-4%	-3%	8,220	8,375	-3%	-2%
Aftermarket	10%	504	518	-4%	-3%	1,005	1,041	-4%	-4%
Miscellaneous	6%	332	243	+35%	+37%	551	447	+21%	+23%
Total	**100%**	**4,935**	**4,982**	**-2%**	**-1%**	**9,776**	**9,863**	**-2%**	**-1%**

** Like for like (constant Group structure and exchange rates)[(2)].*

Like-for-like **original equipment sales** fell by 3% over the first six months of 2019, outperforming global automotive production by 4 percentage points. Outperformance accelerated in the first half (from 3 percentage points in the first quarter, to 4 percentage points in the second quarter), backed by the start of production on numerous high-tech innovations.

Aftermarket sales declined by 4% like for like, impacted by the slowdown in business in China, Europe and Turkey, as well as the closure of its operations in Iran.

Miscellaneous sales (6% of total sales) rose 21% like for like, mainly driven by tooling revenues.

[1] CPCA: China Passenger Car Association.
[2] See Financial Glossary, page 12.

Change in original equipment sales by region

Original equipment sales	**Second-quarter**				**First-half**			
(by destination, in millions of euros)	**2019**	**2018**	**LFL* change**	**Outperf. vs. IHS/CPCA****	**2019**	**2018**	**LFL* change**	**Outperf. vs. IHS/CPCA****
Europe & Africa	1,996	2,060	-3%	+3 pts	4,025	4,132	-2%	+3 pts
Asia, Middle East & Oceania	1,193	1,320	-12%	-1 pt	2,381	2,583	-11%	-1 pt
of which China	*411*	*550*	*-19%*	*0 pts*	*861*	*1,076*	*-19%*	*-3 pts*
of which Japan	*306*	*320*	*-9%*	*-15 pts*	*637*	*654*	*-8%*	*-11 pts*
of which South Korea	*365*	*321*	*-3%*	*-6 pts*	*651*	*595*	*+1%*	*-1 pt*
of which India	*42*	*53*	*-22%*	*-10 pts*	*89*	*105*	*-15%*	*-8 pts*
North America	812	745	+6%	+8 pts	1,624	1,462	+6%	+9 pts
South America	98	96	+8%	+10 pts	190	198	+3%	+6 pts
TOTAL	**4,099**	**4,221**	**-4%**	**+4 pts**	**8,220**	**8,375**	**-3%**	+4 pts

** Like for like (constant Group structure and exchange rates)[1].*
*** Based on IHS automotive production estimates released on July 16, 2019/CPCA[2] estimates for data relating to China.*

Like-for-like[1] original equipment sales fell by 3% over the first six months of 2019, outperforming global automotive production (IHS and CPCA estimates) by 4 percentage points.

- in Europe (including Africa) like-for-like original equipment sales were down 2%, outperforming automotive production (IHS estimates) by 3 percentage points. In Europe, outperformance accelerated (3 percentage points in first-half 2019 versus 1 percentage point in the second half of 2018), benefiting from the start of production on numerous projects, particularly in Powertrain Systems, cameras and other ADAS-related sensors, and LED lighting systems;
- in China, like-for-like original equipment sales fell 19%, underperforming automotive production (CPCA estimates) by 3 percentage points. Performance was in line with the market in the second quarter;
- in Japan, like-for-like original equipment sales were down 8%, underperforming automotive production (IHS estimates) by 11 percentage points, as a result of the Group's exposure to Nissan and Subaru;
- in North America, like-for-like original equipment sales rose 6%, outpacing automotive production (IHS estimates) by 9 percentage points, a sharp acceleration of 3 percentage points compared with second-half 2018, reflecting a robust performance across all businesses, in particular Lighting, Thermal Solutions and Vision (cameras);
- in South America, like-for-like original equipment sales rose by 3%, outpacing automotive production (IHS estimates) by 6 percentage points.

[1] See Financial Glossary, page 12.
[2] CPCA: China Passenger Car Association.

Balanced geographic alignment of Valeo's businesses

Year-on-year changes in the share of original equipment sales in the four main production regions in first-half 2019 were as follows:

- a rise of 3 percentage points for North America, accounting for 20% of original equipment sales;
- stable for Europe, accounting for 49% of original equipment sales;
- stable for South America, accounting for 2% of original equipment sales;
- a decrease of 3 percentage points for Asia, accounting for 29% of original equipment sales.

Balanced customer portfolio

Year-on-year changes in the share of original equipment sales among the Group's customers in first-half 2019 were as follows:

- a rise of 2 percentage points for US customers, accounting for 19% of original equipment sales;
- a rise of 1 percentage point for German customers, accounting for 31% of original equipment sales;
- a fall of 1 percentage point for Asian customers, accounting for 31% of original equipment sales;
- a fall of 1 percentage point for French customers, accounting for 14% of original equipment sales.

Change in sales by Business Group

The sales performance for the Business Groups reflects the specific product, geographic and customer mix and the relative weighting of the aftermarket in their activity as a whole.

Sales by Business Group* (in millions of euros)	Second-quarter					First-half				
	2019	2018	Change in OE sales**	Change in sales	Outperf. vs. IHS/CPCA***	2019	2018	Change in OE sales**	Change in sales	Outperf. vs. IHS/CPCA***
Comfort & Driving Assistance Systems	974	961	-2%	+1%	+6 pts	1,938	1,899	-1%	+2%	+6 pts
Powertrain Systems	1,299	1,338	-5%	-3%	+3 pts	2,565	2,664	-4%	-4%	+3 pts
Thermal Systems	1,187	1,201	-5%	-1%	+3 pts	2,330	2,341	-4%	-1%	+3 pts
Visibility Systems	1,512	1,516	-4%	0%	+4 pts	3,014	3,030	-4%	-1%	+3 pts

** Including intersegment sales.*
*** Like for like (constant Group structure and exchange rates)(1).*
**** Based on IHS automotive production estimates released on July 16, 2019/CPCA(2) estimates for data relating to China.*

The **Comfort & Driving Assistance Systems Business Group** outperformed global automotive production (IHS/CPCA estimates) by 6 percentage points, the highest rate out of Valeo's four Business Groups. The Business Group's growth was driven by solid sales of sensors and cameras in the driving assistance segment.

In the **Powertrain Systems, Thermal Systems** and **Visibility Systems Business Groups**, like-for-like original equipment sales all outperformed global automotive production by 3 percentage points.

[1] See Financial Glossary, page 12.
[2] CPCA: China Passenger Car Association.

Operating margin[1] at 5.3% of sales (excluding share in net earnings of equity-accounted companies)

		H1 2019	H2 2018	*Change*	H1 2018
Sales	*(in €m)*	9,776	9,261	*+6%*	9,863
Gross margin	*(in €m)*	1,754	1,676	*+5%*	1,998
	(as a % of sales)	17.9%	18.1%	*-0.2 pts*	20.3%
Operating margin excluding share in net earnings of equity-accounted companies	*(in €m)*	514	448	*+15%*	755
	(as a % of sales)	*5.3%*	*4.8%*	*+0.5 pts*	*7.7%*
Share in net earnings of equity-accounted companies	*(in €m)*	(107)	(83)	*-29%*	(28)
	(as a % of sales)	*1.1%*	*0.9%*	*-0.2 pts*	*0.3%*
Operating margin including share in net earnings of equity-accounted companies[1]	*(in €m)*	407	365	*+12%*	727
	(as a % of sales)	*4.2%*	*3.9%*	*+0.3 pts*	*7.4%*
Net attributable income[1]	*(in €m)*	162	93	*+74%*	453
	(as a % of sales)	*1.7%*	*1.0%*	*+0.7 pts*	*4.6%*

Gross margin totaled 1,754 million euros, or 17.9% of sales, down 0.2 percentage points compared with second-half 2018, primarily reflecting:

- continued growth (positive 0.3 percentage point impact), including price and volume effects and inflation;
- an improvement in fixed costs (positive 0.1 percentage point impact);
- operational inefficiencies (negative 0.3 percentage point impact);
- a decline in R&D sales (negative 0.3 percentage point impact).

In a particularly unstable economic and geopolitical environment, Valeo pressed ahead with its plan to reduce costs and capital expenditure, which resulted in a 0.1 percentage point decline in **administrative and selling expenses** to 4.7% of sales and a 0.5 percentage point reduction in **Research and Development expenditure** as a percentage of sales compared with second-half 2018, to 785 million euros. This category of expenditure mainly related to powertrain electrification and autonomous and connected vehicles.

Operating margin excluding share in net earnings of equity-accounted companies came out at 514 million euros, or 5.3% of sales, up 0.5 basis points compared with second-half 2018.

The share in net earnings of equity-accounted companies represented a loss of 107 million euros in the first half. This item was affected by lower profitability at Chinese subsidiaries and the share of the loss recorded by Valeo Siemens eAutomotive, which is currently bearing the costs required to develop its order book. Valeo Siemens eAutomotive also suffered the effects of a slowdown in its sales in China.

Operating margin including share in net earnings of equity-accounted companies amounted to 407 million euros, or 4.2% of sales.

Operating income totaled 377 million euros, or 3.9% of sales. Operating income includes other income and expenses representing a net expense of 30 million euros.

After taking into account the cost of net debt of 37 million euros and an effective tax rate of 29.3%, **net attributable income** came to 162 million euros, or 1.7% of sales, up 0.7 percentage points compared with second-half 2018.

Return on capital employed (ROCE[1]) and **return on assets** (ROA[1]) stood at 12% and 8%, respectively.

[1] See Financial Glossary, page 12.

EBITDA[1] by Business Group

EBITDA *(in millions of euros and as a % of sales by Business Group)*	**H1 2019**	**H2 2018**	***Change***	**H1 2018**
Comfort & Driving Assistance Systems	282	245	*+15%*	283
	14.6%	*13.1%*	*+1.5 pts*	*14.9%*
Powertrain Systems	319	305	*+5%*	369
	12.4%	*12.3%*	*+0.1 pts*	*13.9%*
Thermal Systems	262	207	*+27%*	288
	11.2%	*9.3%*	*+1.9 pts*	*12.3%*
Visibility Systems	324	257	*+26%*	385
	10.7%	*9.3%*	*+1.4 pts*	*12.7%*
Group	**1,218**	**1,069**	***+14%***	**1,341**
	12.5%	***11.5%***	***+1 pt***	***13.6%***

In first-half 2019, EBITDA totaled 1,218 million euros, or 12.5% of sales, up 1 percentage point compared with second-half 2018, after taking into account the positive 0.4 percentage point impact of IFRS 16.

All Business Groups reported growth in profitability compared with second-half 2018.

Free cash flow[1] generation

(in millions of euros)	**H1 2019**	**H2 2018**	**H1 2018**
EBITDA	1,218	1,069	1,341
Change in operating working capital*	262	228	(141)
Restructuring costs	(10)	(13)	(18)
Income tax	(152)	(129)	(138)
Provisions for pensions	(1)	(34)	(1)
Payments relating to the principal portion of lease liabilities**	(46)	N/A	N/A
Other operating items	(36)	34	(12)
Investments in property, plant and equipment and intangible assets	(998)	(1,030)	(995)
Free cash flow[(1)**]	237	125	36
Cash conversion rate[(1)]	*19%*	*12%*	*3%*
Net financial expenses	(56)	(5)	(53)
Other financial items	(447)	(169)	(532)
Net cash flow[(1)]	(266)	(49)	(549)

** Change in working capital excluding the change in non-recurring sales of accounts and notes receivable in a negative amount of 6 million euros in first-half 2019 and a positive amount of 10 million euros in first-half 2018.*
*** Following the application of IFRS 16, the Group's definition of free cash flow has been adjusted to take into account payments relating to the principal portion of lease liabiltiies. The resulting impact on free cash flow is marginal, at around 5 million euros.*

[1] See Financial Glossary, page 12.

The Group generated 237 million euros in **free cash flow**(1) in first-half 2019, chiefly reflecting:

- a positive 262 million euro impact on free cash flow generation of the change in working capital, resulting primarily from slower activity in China, as well as a decrease in tooling inventories;
- more controlled investments in property, plant and equipment, which amounted to 598 million euros, versus 661 million euros in second-half 2018.

Accordingly, the cash conversion rate(1) was 19%.

Net cash flow(1) amounted to a negative 266 million euros, reflecting:

- 56 million euros in net financial expenses paid;
- other financial items totaling 447 million euros, mainly including a 330 million euro outflow relating to the dividend payment.

Net debt(1)(2)

Net debt stood at 2,877 million euros at June 30, 2019, up 629 million euros compared with end-December 2018, after taking into account the dividend payment as well as lease liabilities recognized following the application of IFRS 16 (442 million euros at June 30, 2019).

Including the impact of IFRS 16, the **leverage ratio** (net debt/EBITDA) came out at 1.26x EBITDA and the **gearing ratio** (net debt/stockholders' equity excluding non-controlling interests) stood at 64% of equity.

The average maturity of gross long-term debt stood at 4.1 years at June 30, 2019, versus 4.6 years at December 31, 2018.

Order intake(1)

Order intake for first-half 2019 came out at 11.1 billion euros, of which 42% was for innovative products, or 1.3 times original equipment sales.

Valeo's order intake remained well-balanced across the Group's different production regions:

- 33% in Asia;
- 17% in China, of which 24% of orders were booked with local Chinese automakers;
- 47% in Europe (and Africa);
- 17% in North America.

[1] See Financial Glossary, page 12.
[2] Figures presented in accordance with IFRS 16.

Highlights

In April 2019, Valeo was informed that Bpifrance's stake in the Group's share capital had crossed the threshold of 5%, following its acquisition of shares on the open market. In this context, in June 2019 Valeo's Board of Directors supported the appointment of Stéphanie Frachet as Bpifrance's representative on the Board.

In June 2019, rating agency ISS ESG awarded Valeo pole position in its ESG performance ranking of global companies (auto components industry, 64 companies assessed). ISS ESG singled out the quality and diversity of Valeo's product portfolio, including the 48V system, thermal management solutions for batteries and new-generation lighting systems, which all contribute to reducing vehicle CO_2 emissions. The rating agency had particular praise for the quality of the Group's governance, with a Board of Directors including independent members, and the positive results of its cross-functional sustainable development policy, which takes into account labor-related, social (supply chain, multilateral commitments) and environmental aspects in all of the Group's locations.

In April 2019, for the third year running, Valeo took first place in France's 2018 INPI industrial property institute rankings, with 1,355 patents published in 2018, versus 1,110 in 2017, consolidating its position as the most innovative company in France. Valeo also ranked as France's leading patent filer with the European Patent Office (EPO), with 784 patents published in 2018 (18^{th} worldwide). These two rankings underline Valeo's commitment to protecting the cornerstone of its strategy: innovation.

In April 2019, Valeo attended the 2019 Shanghai auto show, where it unveiled its latest technologies for developing electric, autonomous and connected vehicles. In particular, the Group unveiled its low-voltage (48V), all-electric urban prototype, as well as its reversible charger, a major innovation enabling vehicles to become links in the power grid. Valeo also presented its all-weather, all-season thermal and comfort solutions for electric vehicles, designed to optimize travel range.

In February 2019, Valeo was certified as a "Global Top Employer" for the fifth year running. It is among 14 companies worldwide to be recognized for their best practices in human resources. Valeo was also named a "Top Employer" in Europe, Asia-Pacific and North America, with certification in 13, five, and three countries, respectively.

Financial calendar

Third-quarter 2019 sales: October 24, 2019

Investor Day: December 10, 2019

Financial Glossary

- Valeo **order intake** corresponds to business awarded by automakers during the period (including joint ventures accounted for based on Valeo's share in net equity) less any cancellations, based on Valeo's best reasonable estimates in terms of volumes, selling prices and project lifespans. *Unaudited indicator.*
- **Like for like (or LFL)**: the currency impact is calculated by multiplying sales for the current period by the exchange rate for the previous period. The Group structure impact is calculated by (i) eliminating, for the current period, sales of companies acquired during the period, (ii) adding to the previous period full-year sales of companies acquired in the previous period, and (iii) eliminating, for the current period and for the comparable period, sales of companies sold during the current or comparable period.
- **Operating margin including share in net earnings of equity-accounted companies** corresponds to operating income before other income and expenses.
- **Net attributable income excluding non-recurring items** corresponds to net attributable income adjusted for "other income and expenses" net of tax and non-recurring income and expenses net of tax shown in operating margin including share in net earnings of equity-accounted companies.
- **ROCE,** or return on capital employed, corresponds to operating margin (including share in net earnings of equity-accounted companies) divided by capital employed (including investments in equity-accounted companies), excluding goodwill.
- **ROA**, or return on assets, corresponds to operating income divided by capital employed (including investments in equity-accounted companies) including goodwill.
- **EBITDA** corresponds to (i) operating margin before depreciation, amortization and impairment losses (included in the operating margin) and the impact of government subsidies and grants on non-current assets, and (ii) net dividends from equity-accounted companies.
- **Free cash flow** corresponds to net cash from operating activities, after taking into account acquisitions and disposals of property, plant and equipment and intangible assets, and payments relating to the principal portion of lease liabilities, excluding the change in non-recurring sales of receivables.
- **Cash conversion rate** corresponds to the conversion of EBITDA into free cash flow.
- **Net cash flow** corresponds to free cash flow less (i) cash flows in respect of investing activities, relating to acquisitions and disposals of investments and to changes in certain items shown in non-current financial assets, (ii) cash flows in respect of financing activities, relating to dividends paid, treasury share purchases and sales, interest paid and received, and acquisitions of equity interests without a change in control, and (iii) changes in non-recurring sales of receivables.
- **Net debt** comprises all long-term debt, liabilities associated with put options granted to holders of non-controlling interests, short-term debt and bank overdrafts, less loans and other long-term financial assets, cash and cash equivalents and the fair value of derivative instruments hedging the foreign currency and interest rate risks associated with these items.

Safe Harbor Statement

Statements contained in this document, which are not historical fact, constitute “forward-looking statements”. These statements include projections and estimates and their underlying assumptions, statements regarding projects, objectives, intentions and expectations with respect to future financial results, events, operations, services, product development and potential, and statements regarding future performance. Even though Valeo’s Management feels that the forward-looking statements are reasonable as at the date of this document, investors are put on notice that the forward-looking statements are subject to numerous factors, risks and uncertainties that are difficult to predict and generally beyond Valeo’s control, which could cause actual results and events to differ materially from those expressed or projected in the forward-looking statements. Such factors include, among others, the Company’s ability to generate cost savings or manufacturing efficiencies to offset or exceed contractually or competitively required price reductions. The risks and uncertainties to which Valeo is exposed mainly comprise the risks resulting from the investigations currently being carried out by the antitrust authorities as identified in the Registration Document, risks which relate to being a supplier in the automotive industry and to the development of new products and risks due to certain global and regional economic conditions. Also included are environmental and industrial risks as well as risks and uncertainties described or identified in the public documents submitted by Valeo to the French financial markets authority (*Autorité des marchés financiers* – AMF), including those set out in the “Risk Factors” section of the 2018 Registration Document registered with the AMF on March 29, 2019 (under number D.19-0224).

The Company assumes no responsibility for any analyses issued by analysts and any other information prepared by third parties which may be used in this document. Valeo does not intend or assume any obligation to review or to confirm the estimates of analysts or to update any forward-looking statements to reflect events or circumstances which occur subsequent to the date of this document.

Valeo is an automotive supplier, partner to all automakers worldwide. As a technology company, Valeo proposes innovative products and systems that contribute to the reduction of CO_2 emissions and to the development of intuitive driving. In 2018, the Group generated sales of 19.1 billion euros and invested 13% of its original equipment sales in Research and Development. Valeo has 188 plants, 20 research centers, 39 development centers and 15 distribution platforms, and at June 30, 2019, employs 114,350 people in 33 countries worldwide. Valeo is listed on the Paris Stock Exchange.

VALEO
43 rue Bayen, 75017 Paris
www.valeo.com

Media Relations
+33 (0)1 40 55 29 72 | +33 (0)1 40 55 21 20
press-contact.mailbox@valeo.com

Investor Relations
valeo.corporateaccess.mailbox@valeo.com